Ministry of Small Business and Revenue

Small Business Profile 2007

Small Business in British Columbia - helping to grow Canada's economy

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Dear Recipient:

On behalf of the governments of Canada and British Columbia, we are pleased to mark the 28th Anniversary of Small Business Week by presenting *Small Business Profile 2007: A Profile of Small Business in British Columbia*, an annual publication celebrating its 10th year in print.

A collaboration between the federal and provincial governments *Small Business Profile 2007* was compiled and analyzed by BC Stats, using data from Statistics Canada. It examines key trends and outlines the importance of the small business sector to the economy of both British Columbia and the country as a whole.

It is with great pride we celebrate the talents, achievements and entrepreneurial spirit of British Columbia's small businesses during Small Business Week, which this year will take place from October 14 to 20, 2007.

We invite you to explore *Small Business Profile 2007* and to learn more about the essential contributions small businesses make across British Columbia.

Yours sincerely,

The Honourable Rona Ambrose, P.C., M.P.
President of the Queens Privy Council,
Minister of Intergovernmental Affairs and
Minister of Western Economic Diversification
Government of Canada

The Honourable Rick Thorpe, M.L.A.
Minister of Small Business and Revenue
and Minister Responsible for
Regulatory Reform
Government of British Columbia

Western Economic Diversification Canada | Diversification de l'économie de l'Ouest Canada

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Madame, Monsieur,

Au nom des gouvernements du Canada et de la Colombie-Britannique, nous sommes heureux de souligner le 28e anniversaire de la Semaine de la PME par la présentation du *Profil de la petite entreprise 2007 - Profil de la petite entreprise en Colombie-Britannique*, une publication annuelle qui en est à sa dixième année de parution.

Fruit d'un partenariat entre les gouvernements fédéral et provincial, le *Profil de la petite entreprise 2007* a été compilé et analysé par B.C. Stats, à partir de données fournies par Statistique Canada. Le rapport comprend une analyse des grandes tendances et souligne l'importance de la petite entreprise dans l'économie de la Colombie-Britannique et du Canada.

À l'occasion de la Semaine de la PME, qui se tiendra cette année du 14 au 20 octobre 2007, nous sommes fiers de célébrer le talent, les réalisations et l'esprit entrepreneurial des petites entreprises de la Colombie-Britannique.

Nous vous invitons à consulter le *Profil de la petite entreprise 2007* et à en apprendre davantage sur les contributions importantes des petites entreprises dans toutes les régions de la Colombie-Britannique.

Recevez, Madame, Monsieur, nos salutations distinguées.

L'honorable Rona Ambrose, C.P., députée
Présidente du Conseil privé de la Reine pour le Canada, ministre des Affaires intergouvernementales et ministre de la Diversification de l'économie de l'Ouest canadien
Gouvernement du Canada

L'honorable Rick Thorpe, M.A.L.
Ministre de la Petite entreprise et du Revenu et ministre responsable de la Réforme réglementaire
Gouvernement de la Colombie-Britannique

British Columbia:

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Diversification de l'économie de l'Ouest Canada

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9,886 lbs of wood

A profile of small business in British Columbia

Small Business – In 2006, 98 per cent of all businesses in British Columbia were small businesses. Micro-businesses (those with fewer than five employees) constituted over 83 per cent of small businesses. There were approximately 370,700 small businesses operating in the province last year.

Small Business Growth – The number of small businesses operating in the province increased for the fifth consecutive year, up 1.8 per cent compared to 2005.

Employment – An estimated 1,025,600 people were employed by small business in British Columbia in 2006, accounting for 57 per cent of private sector jobs in the province, the second highest rate in the country.

Employment Growth – Small business employment in British Columbia grew 1.5 per cent between 2005 and 2006, one of only three provinces to have a growth rate higher than one per cent and well above the national average of 0.9 per cent.

Self-Employed – On average, the self-employed tend to be older, are more often men and work longer hours compared to those who work as paid employees. In British Columbia, 36 per cent of the self-employed are women, which is higher than the national average of just under 35 per cent.

Gross Domestic Product – Among the provinces, British Columbia ranked first in the country with the highest proportion of Gross Domestic Product (approximately 27 per cent) attributed to small businesses.

High Technology Sector – Small businesses comprised approximately 95 per cent of employers in high technology. There were approximately 8,770 small businesses in the high tech sector last year.

Regional Focus – The Northeast region continues to record the highest rate of growth in the province in the number of new small businesses, with an average increase of 6.3 per cent per year over the 2001 to 2006 period.

Exports – Small business in British Columbia shipped over $14 billion worth of merchandise to international destinations in 2005, almost 40 per cent of the total value of goods exported from the province.

British Columbia Businesses in 2006

	Number of businesses	Per cent of total
Total small businesses	**370,700**	**98%**
Self-employed without paid help†	210,900	56%
Businesses with less than 50 employees	159,800	42%
Total large businesses	8,100	2%
Total all businesses‡	**378,700**	**100%**

† Incorporated self-employed are not included in this figure in order to avoid double-counting, since they are already included in the count of businesses with fewer than 50 employees.
‡ Figures do not add due to rounding.
Source: BC STATS using data supplied by Statistics Canada

Number of self-employed business owners in British Columbia, 2006

	Incorporated	Unincorporated	Total self-employment
With paid help	93,700	43,400	137,100
Without paid help	61,100	210,900	272,000
Total	154,800	254,300	409,100
Per cent	38%	62%	100%

Source: Statistics Canada / Prepared by BC STATS
For more information on incorporation, please see pages 8 & 9.

Information on programs and services for small businesses can be obtained by contacting:

601 West Cordova St.
Vancouver, B.C. V6B 1G1
Telephone: 604 775-5525
Toll Free: 1 800 667-2272
Internet: ***www.smallbusinessbc.ca***

Statistics related to small business are available at:

Data Services
553 Superior St.
Box 9410 Stn Prov Govt
Victoria, B.C. V8W 9V1
Telephone: 250 387-0327
Internet: ***www.bcstats.gov.bc.ca***

Information on provincial and federal government programs and services can be found at:

Box 9805 Stn Prov Govt
Victoria, B.C. V8W 9W1
Internet: ***www.sbr.gov.bc.ca***

Minster of Small Business and Revenue and Minister Responsible for Regulatory Reform
Box 9065 Stn Prov Govt
Victoria, B.C. V8W 9E2
Telephone: 250 356-6611
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Preface

Small Business Profile 2007: A Profile of Small Business in British Columbia is an update of previous versions published annually since 1997. The 2007 report reflects data from 2006, the most recent year for which data is available. This report is designed to answer some common questions about the role of small business in British Columbia through an examination of trends in growth over the last five years. Key issues addressed include the number of businesses, growth in employment, contribution to the economy, industry breakdown, impact on regional economies and the role of small business exporters.

Statistical information in this report was prepared by BC STATS with data provided by Statistics Canada from various statistical databases such as the Business Register, the Survey of Employment, Payrolls and Hours, the Labour Force Survey and the Exporter Registry. Data regarding e-commerce is derived from the results of member surveys by the Canadian Federation of Independent Business.

Small Business Profile 2007 is produced in co-operation with the federal and provincial governments. The report was prepared by BC STATS in the British Columbia Ministry of Labour and Citizens' Services in partnership with Western Economic Diversification Canada, the British Columbia Ministry of Small Business and Revenue and Small Business BC.

This publication is also available electronically at: www.sbr.gov.bc.ca

1. Small Business Growth

The small business sector continues to make its mark as a key instrument of job creation and economic growth in British Columbia. It is the primary provider of private sector jobs in the province, reflecting an important and ongoing trend toward economic diversification within the provincial economy. It is also a vital source of innovation: approximately 95 per cent of high technology businesses in British Columbia are small businesses.

The growth in entrepreneurship in the province has had a profound impact on its economic landscape and is expected to continue to do so for some time to come. British Columbia's small business owners report high expectations for the future.

Did You Know?

According to the Canadian Federation of Independent Business (CFIB), a quarterly survey of its members indicates that business confidence in British Columbia is among the highest in the country[1].

Data from surveys, such as the CFIB's *Quarterly Business Barometer*, are useful subjective measures of the health of small business in British Columbia, but it is equally important to examine objective measures such as business counts, employment, GDP and revenues to see if they paint a similar picture as to the health of small business in the province.

What is a small business?

It is important to define the concept of small business before embarking on a study of its scope and growth. The most common definition used focuses on the number of employees. In British Columbia, a small business is defined as one with fewer than 50 employees, or a business operated by a person who is self-employed, without paid help.

How many businesses are there in British Columbia and is that number growing?

A total of 378,700 businesses were operating in British Columbia in 2006. Of those, 370,700, or 98 per cent, were small businesses. Nearly 56 per cent of all businesses in the province were operated by self-employed individuals with no paid help. By comparison, only 53 per cent of all Canadian businesses were comprised of self-employed people with no paid employees. However, three provinces had larger proportions of businesses run by self-employed working alone than British Columbia: Manitoba, Saskatchewan and Ontario (each 57 per cent).

A business is defined as a small business if it is either:

- A business with fewer than 50 employees
- A business operated by a self-employed person with no paid help

A *micro-business* is defined as a small business with fewer than 5 employees.

Incorporated businesses

Incorporated businesses consist of those organized and maintained as legal corporations. A corporation is created (incorporated) by a group of shareholders who have ownership of the corporation, represented by their holding of common stock.

Self-employed

Self-employed individuals are defined as individuals who spend most of their working hours operating their own businesses. The self-employed can be categorized as either *incorporated* or *unincorporated* and each of these classifications can further be divided between those operating *with paid help* (i.e., with employees) or *without paid help* (i.e., working by themselves). This produces four major categories of self-employed workers.

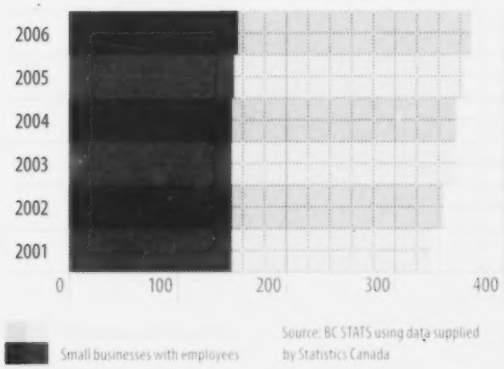
Unincorporated businesses

Unincorporated businesses consist of those not organized and maintained as legal corporations and the tie between members need not be a legally enforceable contract.

[1] Mallett, Ted. (June 2007). *Quarterly Business Barometer: Results of CFIB Business Outlook Survey*. Canadian Federation of Independent Business.

Figure 1.1

Number of small businesses in British Columbia (000's), 2001-2006



Source: BC STATS using data supplied by Statistics Canada

Figure 1.2

Size distribution of small business in British Columbia, 2006

	Number of businesses	Per cent of total
Total businesses with 0-4 employees	**308,500**	**83%**
Self-employed without paid help	210,900	57%
Businesses with 1-4 employees	97,600	26%
Businesses with 5-19 employees	**48,500**	**13%**
Businesses with 20-49 employees	**13,700**	**4%**
Total small businesses	**370,700**	**100%**

Source: BC STATS using data supplied by Statistics Canada

Figure 1.3

Growth in number of British Columbia businesses, 2001-2006

	Average annual growth (#s)	Average annual growth rate
Total small businesses	**7,300**	**2.2%**
Self-employed without paid help	5,400	2.9%
Businesses with 1-4 employees	1,000	1.0%
Businesses with 5-19 employees	600	1.4%
Businesses with 20-49 employees	300	2.5%
Total large businesses	**200**	**2.6%**
Total all businesses	**7,500**	**2.2%**

Source: BC STATS using data supplied by Statistics Canada
For national breakdown, please see Figure 2.3 on page 7.

The total number of small businesses operating in the province increased for the fifth consecutive year in 2006, climbing 1.8 per cent from 2005. Both small businesses with employees (+3.1 per cent) and businesses operated by unincorporated self-employed individuals without paid help (+0.9 per cent) saw their numbers increase.

The year-to-year fluctuations in the number of small businesses have generally been driven by the rise and fall in the count of self-employed without paid help, which has been on a bit of a roller-coaster ride. The number of self-employed without paid help experienced three years of double-digit increases in the mid-nineties, dropped for three straight years between 1999 and 2001, and then rebounded with increases in each of the last five years.

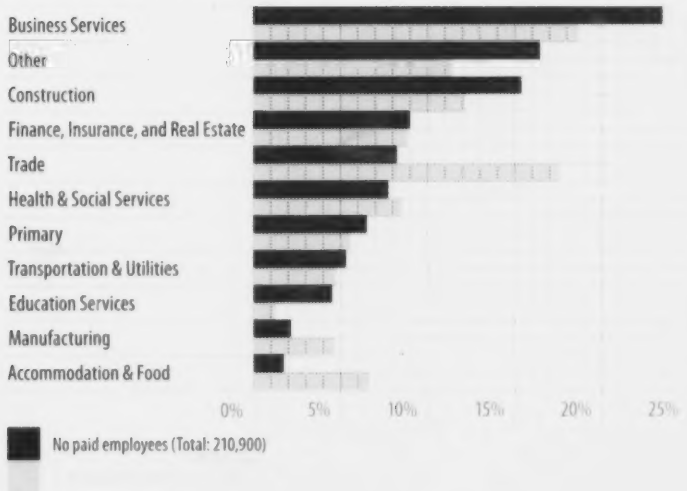
Large businesses (50 or more paid employees) in British Columbia have also seen solid growth in recent years, increasing 4.0 per cent in 2006, following a substantial climb the previous year (+5.6 per cent). Unlike small businesses with employees, there has been considerable volatility over the last several years in the number of large businesses in the province. However, stable growth in the past three reporting years indicates the pattern may be changing.

What is the size distribution of small businesses?

By far, most of the small businesses in British Columbia are micro-businesses: those with fewer than five employees. There were 308,500 businesses fitting this description in 2006, accounting for 83 per cent of the province's small businesses. Over half (57 per cent) of small businesses consisted of self-employed persons without paid help and 26 per cent were those having one to four employees.

Figure 1.4a

Small businesses, with and without employees, by industry, 2006



Source: BC STATS using data supplied by Statistics Canada

The small business count in the province expanded by an average of 7,300 per year from 2001 to 2006, translating to an average annual growth rate of 2.2 per cent. Self-employed workers with no paid help has been the fastest growing segment of the small business sector. This group grew at an average rate of 2.9 per cent per year, or an average annual addition of 5,400 net new businesses. Small businesses with 20 to 49 employees grew at a similar pace over the same period (+2.5 per cent or an average net addition of 300 new businesses per year). However, the rate of growth of small businesses overall lagged that of businesses with 50 or more employees. There was an average annual net increase in large businesses in the province of 2.6 per cent from 2001 to 2006.

There is a wide variety of activities in which small businesses in British Columbia are engaged, ranging from family-owned corner stores, to self-employed computer programmers to small lumber milling operations. Almost three-quarters of all businesses in the province are in service sector industries, with small businesses just as likely to be providing a service as large businesses.

Figures 1.4a and 1.4b show the industry breakdown for small businesses with employees and for small businesses comprised of a self-employed person with no paid help. For the small business service sector as a whole, the largest concentration is in business services, which contains over 21 per cent of all British Columbia small businesses, followed by wholesale & retail trade with 12 per cent. Business services, which include occupations such as lawyers and accountants, are more prevalent in businesses with no employees, while firms involved in trade are more likely to have employees.

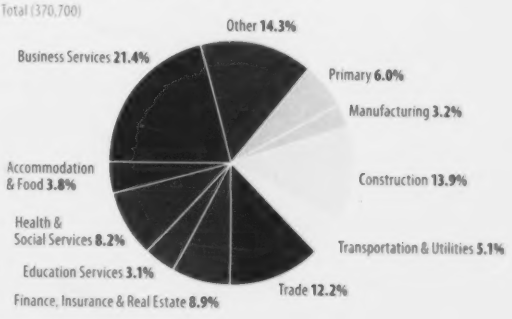
In the goods sector as a whole, construction is the most significant industry, accounting for 14 per cent of all small businesses in the province. Construction is more amenable to smaller operations than most manufacturing industries, so it makes sense that it has the largest concentration of small businesses among industries outside the service sector.

Within the small business sector, some industries are dominated by businesses without employees, while the opposite is true for other industries. For example, in education services, almost 82 per cent of small businesses are comprised of self-employed individuals without paid help, whereas in accommodation and food, almost three-quarters of small businesses employ staff and only 25 per cent have no paid employees.

Figure 1.4b

Total small businesses with 0-49 employees, 2006

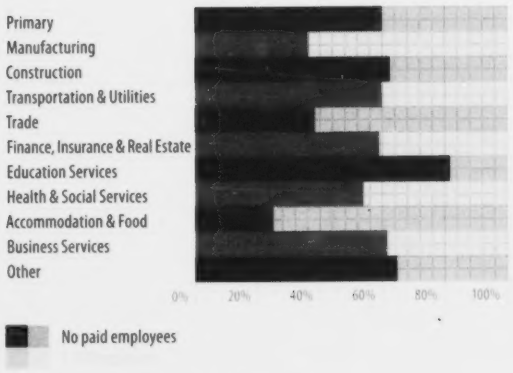
Total (370,700)



Source: BC STATS using data supplied by Statistics Canada

Figure 1.5

Small businesses by industry, shares with and without employees, 2006

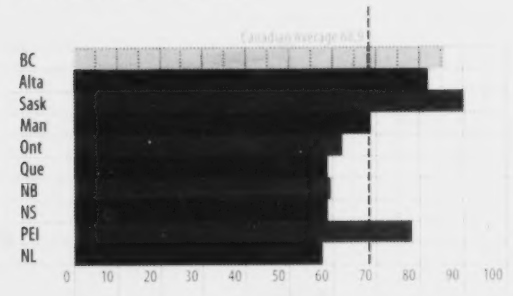


Source: BC STATS using data supplied by Statistics Canada

Figure 1.6

Western Canada generally has more small businesses per capita, 2006

Small businesses per 1,000 population, 2006

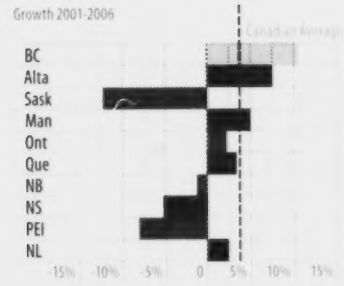


Source: BC STATS using data supplied by Statistics Canada

Figure 1.7

British Columbia is the leader in small business growth, 2001-2006

Growth 2001-2006



Source: BC STATS using data supplied by Statistics Canada

How does small business growth in British Columbia compare with other provinces?

Small businesses are more prevalent in Western Canada compared to the rest of the country, at least in terms of businesses per capita. After surpassing Alberta for the first time in 2005, British Columbia held on to its ranking of second among the provinces in 2006, with 86.0 small businesses per 1,000 people. Saskatchewan had the highest ratio of small businesses to population with 89.7 per 1,000 people last year, followed by British Columbia, and Alberta (82.0). The only other provinces exceeding the Canadian average of 68.9 small businesses per 1,000 people were Prince Edward Island (78.1) and, marginally, Manitoba (69.0).

Over the last five years, British Columbia has led the country in growth in the number of small businesses. Between 2001 and 2006, the count of small businesses in the province surged 11.0 per cent, more than triple the national growth average of 3.6 per cent. Alberta (+7.6 per cent), and Manitoba (+4.8 per cent) were the only other provinces to exceed the Canadian average. Declines among other provinces ranged from 1.4 percent in New Brunswick to 11.9 per cent in Saskatchewan. The faster growth in the number of small businesses in British Columbia is likely related to the fact that the province has traditionally been more service sector-oriented compared to most other provinces. Much of the growth in small businesses across the country has been concentrated in service sector industries. Strong growth in professional, scientific and technical services has helped drive British Columbia's small business growth, as well as the booming construction sector.

The poorer performance among other provinces is likely due to a contraction in manufacturing businesses and establishments engaged in primary industries such as agriculture, forestry, fishing and hunting. The Canadian manufacturing sector has been faced with challenges in recent years such as increased competition from burgeoning economies such as China and, to a lesser extent, India, and the appreciation of the Canadian dollar.

2. Small Business Employment

How many jobs does small business provide in British Columbia?

British Columbia's small business sector was the source of approximately 1,025,600 jobs in 2006. This accounts for almost half (47 per cent) of all the jobs (2,195,500) in the province.

The private sector (including both small and large businesses) employed 1,804,300 people in British Columbia in 2006, of which 57 per cent were in small business, a ratio that has remained essentially unchanged over the past seven years. In 2006, self-employed workers represented 23 per cent of total private sector employment. Of those people who were employed by a business, 34 per cent worked for a small business and the remaining 43 per cent were employees of large businesses.

Small business employment in British Columbia climbed 1.5 per cent in 2006, marking the fifth straight year of growth. Both employees of small businesses and self-employed individuals have contributed to the expansion in employment in the last few years, although there was a slight decline in the number of self-employed in 2006 (-0.5 per cent). In 2006, there were 62,300 more self-employed workers in British Columbia compared to 2001, a 17.7 per cent increase over the five-year period. Employees of small businesses increased 13.6 per cent, which helped boost overall small business employment (including self-employed) to 15.2 per cent between 2001 and 2006. Employment in large businesses jumped 14.4 per cent over that same period.

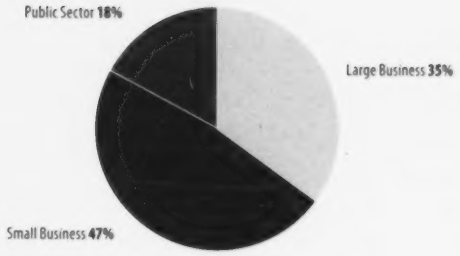
How does British Columbia's small business employment compare to other provinces?

With just under 57 per cent of private sector jobs derived from small business in 2006, British Columbia ranked second in the country, behind Prince Edward Island (59 per cent) by less than two percentage points. By comparison, just under half (49 per cent) of private sector employment in Canada as a whole was supplied by small business. Saskatchewan ranked third behind British Columbia with 56 per cent of jobs in that province attributable to small business. With 45 per cent, Ontario had the least dependence on small business for private sector employment.

There is substantial disparity in small business employment among the provinces, which may be related to their distinct economic structures. For example, Saskatchewan and Prince Edward Island have significant agricultural sectors and these farming operations are often small businesses. Conversely, Ontario is a manufacturing centre and has a greater percentage of large manufacturers, particularly automobiles, and is, as a result, more likely to have a higher percentage of jobs in large businesses.

Figure 2.1

Almost half of all jobs in British Columbia were in small business in 2006



Source: BC STATS using data supplied by Statistics Canada

Figure 2.2

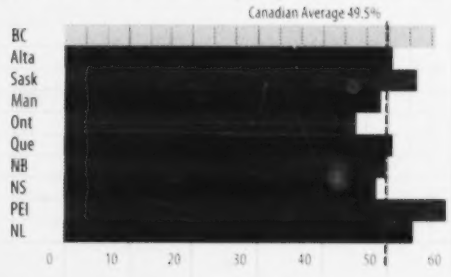
Private sector employment in British Columbia by size of business, 2006

	Employment	Per cent of total
Total small business employment	**1,025,600**	**57%**
Self-employed	413,700	23%
Employed by small business	611,900	34%
Large business employment	778,700	43%
Total private sector employment	**1,804,300**	**100%**

Source: BC STATS using data supplied by Statistics Canada

Figure 2.3

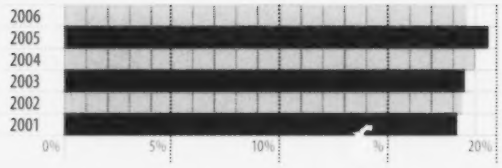
British Columbia ranks second in small business as a per cent of private sector employment, 2006



Source: BC STATS using data supplied by Statistics Canada

Figure 2.4

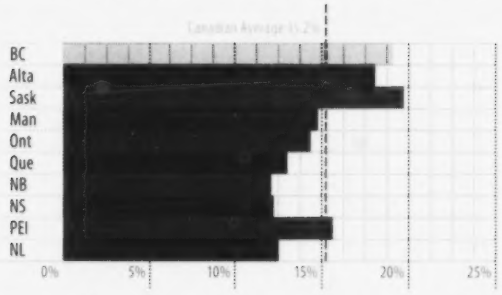
British Columbia's self-employment as a per cent of total employment, 2001-2006



Source: Statistics Canada / Prepared by BC STATS

Figure 2.5

Self-employment as a per cent of total employment by province, 2006



Source: Statistics Canada / Prepared by BC STATS

The 1.5 per cent rise in small business employment in British Columbia between 2005 and 2006 remains among the strongest in the country and well above the Canadian average of 0.9 per cent. Other than British Columbia, only Prince Edward Island (+4.8 per cent) and Alberta (+1.5 per cent) had growth rates exceeding one per cent. The province's 2005 construction boom in both housing and other projects has carried through to 2006 and continues to play a role in the growth in small business employment in British Columbia. This trend will likely continue through to 2010 as increased demand for residential buildings as well as facilities related to the 2010 Winter Games will continue to be an important factor in the creation of new jobs.

Self-Employment

What proportion of total employment is comprised of the self-employed?

Individuals who spend most of their working hours operating their own businesses are classified as "self-employed." Over the last five years, the ratio of self-employed over total employment has remained relatively stable. In 2006, self-employment accounted for 18.8 per cent of total employment, down slightly from 2005 (19.5 per cent).

Among the provinces, British Columbia ranked second only to Saskatchewan (19.5 per cent) in terms of proportion of self-employed in the workforce. This can be explained by Saskatchewan's significant reliance on family farming operations. However, the number of farmers in Saskatchewan has been falling and this is reflected in the proportion of self-employed workers, which has also been dropping over the last couple of decades.

The proportions of self-employed were much lower in other provinces across the country in 2006. New Brunswick had the lowest (11.9 per cent) and at 15.2 per cent, the Canadian average remained well below that of British Columbia.

How many self-employed people are there in British Columbia and how fast is this number growing?

Between 2005 and 2006, the number of self-employed in British Columbia slipped 0.5 per cent from 415,800 to 413,700. As this has coincided with a 3.1 per cent increase in overall employment in the province, a possible explanation for the decline in self-employment is that, given British Columbia's tight economy and recent labour shortages, some self-employed workers are moving into the employee workforce.[2]

Of the 413,700 self-employed individuals working in British Columbia last year, about 4,600 were working in family businesses without pay, leaving 409,100 self-employed business owners. The large majority (62 per cent) of self-employed businesses were unincorporated. Unincorporated individuals working on their own with no employees made up the largest class of self-employed small businesses, with 52 per cent of all self-employed in this category.

[2] There are, in addition, likely many people working as employees who have taken up self-employed work to augment their salaried income. However, such workers are not included in figures quoted in this report except where specifically indicated. The 'self-employed' as counted here are people for whom their self-employed work constitutes the job 'at which they work the most hours.'

The growth in self-employment in the province has occurred most substantially within the group of self-employed without paid help (+41 per cent between 1996 and 2006). Over the last decade, the number of self-employed persons with employees expanded at a much slower rate (+6 per cent). However, in recent years, both classifications have exhibited similar signs of growth. Between 2001 and 2006, the number of self-employed without employees experienced a 19 per cent rise, while the number with employees climbed 16 per cent. Although it has always been common to see more self-employed individuals without paid help than those with employees, the disparity in number has become even more pronounced in recent years. This may in part be due to the recent growth in the number of new small businesses. Many small businesses begin with one individual running their own business, often from home. As they grow, they in turn take on employees.

It is difficult to pinpoint an explanation for the mushrooming incidence of self-employment in British Columbia in recent years. It could be due to structural changes to the economy that "pulled" people toward working for themselves or "pushed" people into self-employment or increased entrepreneurial opportunities. Some of these "pull" and "push" factors include the shift to contracting out some business functions in response to increasing competition resulting from globalization, the increased participation rate of women in the labour force and the need to balance family and work, and technological changes giving people the flexibility to work from home.

Working for oneself can offer flexibility that other types of employment do not. Students, semi-retired persons, or even people looking to earn extra income may prefer self-employment to other options. That being said, not everyone turns to self-employment because of conditions in the wage labour market or choose to be self-employed to fit their present lifestyle. There are also those compelled by entrepreneurial drive who aim to build their own businesses.

Despite the overall trend in self-employment growth over the past decade, recent changes in the province's economic landscape could potentially have a reverse effect. Normally, a burgeoning economy that is restructuring and diversifying would set the stage for self-employment growth. However, British Columbia's strong economy, combined with recent labour shortages, will likely continue to drive up wages for employees, which may cause more people to move away from self-employment. Also, the newly relaxed retirement regulations could have a substantial impact on the self-employment trend. Whereas before, many retired workers turned to self-employment to supplement their income, in a higher-demand, higher-salaried labour market, some retirees who would normally look to self-employment may instead choose to remain in or re-enter the employee workforce. British Columbia's slight decline in self-employment last year could very well be a sign of future trends.

Figure 2.6

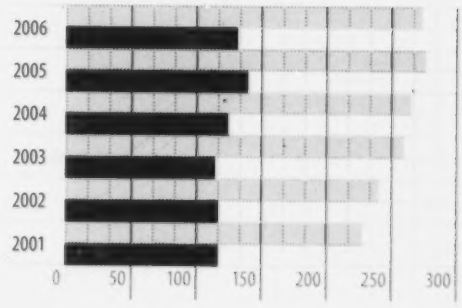
Number of self-employed business owners in British Columbia, 2006

	Incorporated	Unincorporated	Total self-employment
With paid help	93,700	43,400	137,100
Without paid help	61,100	210,900	272,000
Total	154,800	254,300	409,100
Per cent	38%	62%	100%

Source: Statistics Canada / Prepared by BC STATS

Figure 2.7

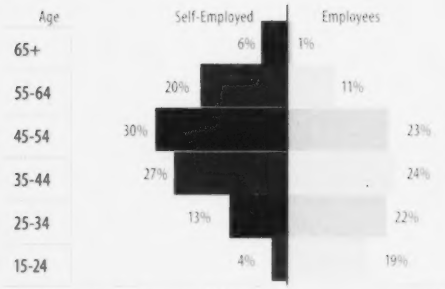
There are twice as many self-employed without paid help than there are those with employees, 2001-2006



Source: Statistics Canada / Prepared by BC STATS

Figure 2.8

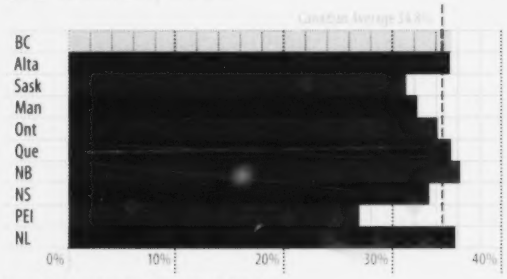
Self-employed workers tend to be older, on average – British Columbia, 2006



Source: Statistics Canada / Prepared by BC STATS

Figure 2.9

Proportion of self-employed who are women, 2006



Source: Statistics Canada / Prepared by BC STATS

What is the profile of a self-employed person in British Columbia?

On average, self-employed people tend to be older, are more often men, work longer hours and are less likely to be Aboriginal peoples compared to workers who are employees.

Well over half (58 per cent) of British Columbia's self-employed are between the ages of 35 and 54, compared to only 47 per cent of employees. While 41 per cent of employees are under the age of 35, only 17 per cent of self-employed business owners fit this description. At the other end of the scale, 25 per cent of entrepreneurs are aged 55 and over, compared to only 12 per cent of employees.

There are at least a couple of reasons for the different age structure of self-employed persons versus employees. Many people under the age of 25 lack the skills and capital needed to start and operate a business. For older workers, self-employment may be used as a transition from working at a full-time job to moving into retirement and even beyond retirement-age. This is reflected in the percentage of self-employed business owners aged 65 and over (six per cent) compared to employees of the same age group (one per cent).

Self-employment as a percentage of all workers has been growing steadily in all age groups, but for those over 55 there has been a particularly sharp increase in the likelihood that they will be self-employed. One possible reason for the high incidence of self-employment among older Canadians may be related to the mandatory retirement age in British Columbia and in Canada as a whole. Many of those who have retired or semi-retired from their professions seek alternative sources of income and livelihood that offer them the flexibility possible with self-employment. Also, the self-employed in general tend to retire at an older average age than the general workforce. The average retirement age for all Canadian retirees in 2006 was 61.5 years, relatively unchanged from 2005 (61.4 years). The average retirement age for the self-employed decreased in 2006, dropping from 66.0 years to 64.7 years, but remained significantly higher than that of the average Canadian. Of course, it remains to be seen what sort of effect the loosening of mandatory retirement regulations will have on the employment and self-employment of older Canadians.

Another difference that emerges between self-employed persons versus employees is gender balance. While workers who are employees are equally likely to be men or women, those that are self-employed are more often men. In 2006, in British Columbia, almost two-thirds of the self-employed were men. As in the rest of the country, women entrepreneurs in British Columbia are making some important strides for business in the province. In 2006, 35.7 per cent of all business owners in British Columbia were women. This was above the national average of 34.8 per cent and the fourth highest rate among the provinces. British Columbia was marginally below New Brunswick (36.4 per cent), Newfoundland and Labrador (36.0 per cent) and Quebec (35.9 per cent) in terms of the share of businesses owned by women.

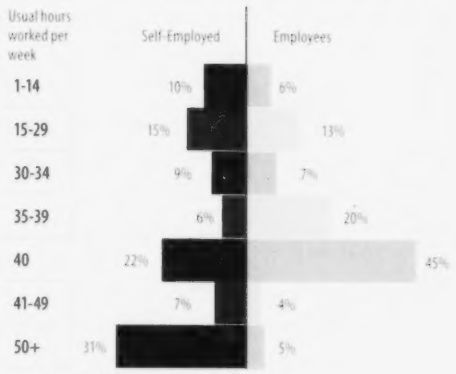
There is a substantial difference in the number of hours worked per week between people who are self-employed and those who are employees. Thirty-one percent of self-employed people in British Columbia worked exceptionally long hours (over 49 hours per week) in 2006. This compared to only five per cent for employees. At the other end of the spectrum, ten percent of the self-employed in British Columbia worked less than 15 hours per week in 2006 and a further 15 per cent worked 15 to 29 hours. This compares to six and 13 per cent, respectively, for employees.

For Canada as a whole, the group of long working self-employed people represents an even larger proportion, with over 34 per cent averaging 50 hours or more per week. The average work week for self-employed workers in Canada is approximately 41 hours, two full hours more than the British Columbia average (39 hours).

Aboriginal peoples living off-reserve are significantly less likely to be self-employed compared to non-aboriginals. Approximately 13.6 per cent of off-reserve Aboriginal peoples in British Columbia were self-employed last year, compared to 19.0 per cent of non-Aboriginal peoples who worked for themselves. This is down from 15.4 per cent in 2005 (compared to 19.6 per cent for non-Aboriginal peoples). Those who identified themselves as Métis were more likely to be self-employed (15.3 per cent) than those that were classified as North American Indian (12.6 per cent), although this gap has been narrowing in recent years.

Figure 2.10

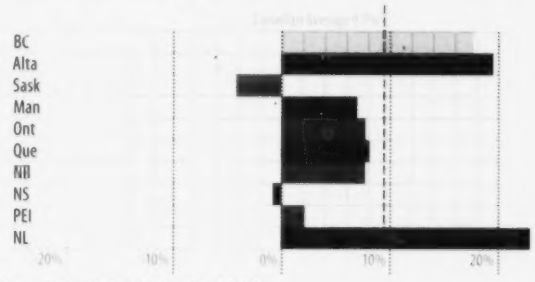
Self-employed tend to work longer hours – British Columbia, 2006



Source: Statistics Canada / Prepared by BC STATS

Figure 2.11

Self-employment growth in British Columbia exceeds the national average, 2001-2006



Source: Statistics Canada / Prepared by BC STATS

Over the last five years, British Columbia has shown substantial self-employment growth. British Columbia's five-year growth rate of 17.7 per cent between 2001 and 2006 is almost double that of the national average (+9.7 per cent) over the same period. Only Newfoundland and Labrador (+22.8 per cent) and Alberta (+18.8 per cent) saw greater growth in the number of self-employed than British Columbia and no other province exceeded the Canadian average. Over this period, Saskatchewan saw the most notable decline (-4.2 per cent) in self-employed, likely reflecting a drop in the number of independent farmers. Nova Scotia (-0.6 per cent) was the only other province to see smaller numbers of self-employed.

Gross Domestic Product (GDP) refers to the total market value of all the goods and services produced within national or provincial borders during a specified period. The growth rates of GDP provide an indication of how well an industry or an economy is doing. The GDP of an industry (also referred to as value added) equals output by the industry minus the value of intermediate inputs that were purchased from other industries, domestic or foreign. Value added is a measure of how much an industry has contributed to the value of its output over and above the value of intermediate inputs. GDP by industry for the economy as a whole is the sum of values added by all industries resident in Canada.

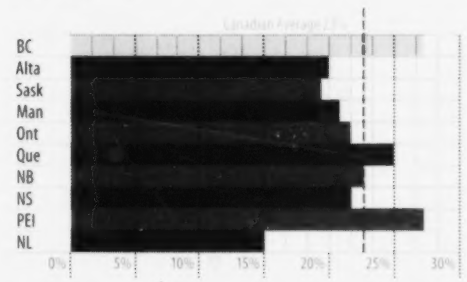
3. Contribution to the Economy

Small business contributes to the provincial economy in a number of ways: by creating and maintaining employment, through its production of goods and services, as a source of innovation and by meeting payrolls that support families and stimulate further economic activity.

The key measure of economic production of a sector is its gross domestic product (GDP). GDP represents the value that a sector adds to the materials and services it uses.

In 2006, small business in British Columbia accounted for 27 per cent of the province's GDP, well above the national average of 23 per cent. British Columbia ranks the highest of all provinces (tied with Prince Edward Island), suggesting that small business plays a more significant role in the provincial economy in British Columbia than it does in other parts of the country. This is in part due to the fact that British Columbia has traditionally been comparatively more service sector-oriented than most other provinces and much of the nation's growth in small businesses has been concentrated in such industries. At almost 26 per cent, Quebec ranked next after British Columbia and Prince Edward Island, followed by New Brunswick (23 per cent) and Nova Scotia (22 per cent). The province with the smallest contribution to GDP from small business was Newfoundland & Labrador (15 per cent), which likely reflects the increased role of large businesses in the offshore oil industry in that province's economy.

Figure 3.1



Source: BC STATS

On average, large businesses traditionally have paid their employees more compared to small businesses. Much of this wage disparity is made up in other ways by offering benefits that may not be possible in some larger businesses, such as more flexible working hours. The average small business employee earned $34,537 in 2006, compared to $40,939 for employees of large businesses, which amounts to a difference of $6,400 annually. Part of this wage gap is likely related to productivity. Larger firms can take advantage of economies of scale and they can better afford necessary capital improvements, such as machinery and equipment that can substitute for low-skilled labour, allowing them to be more productive than small businesses. As a result, larger firms tend to achieve more output per employee and can consequently afford to pay their employees higher wages. Another possible factor in the wage difference is that small businesses are much less likely to be unionized. In general, employees who belong to unions tend to earn higher wages than non-unionized employees.

Between 2001 and 2006, the disparity between wages of employees of small and large businesses decreased. Small business employees saw double the growth in their average earnings compared to employees of large businesses. Employees of small businesses saw their average wages increase 18 per cent over that period, compared to only a 9 per cent boost for those working for larger businesses. At the beginning of the decade, the gap between earnings of employees at small and large businesses remained fairly steady at approximately $8,000 but it contracted significantly in 2005 and then again last year, shrinking to $6,400. In nearly every industry, average earnings increased at faster pace in small business than in large business.

Figure 3.2

	Small Business	Large Business
Earnings 2001 (payroll/employee)	$29,358	$37,668
Earnings 2006 (payroll/employee)	$34,537	$40,939
Percent change	18%	9%

Source: BC STATS using data supplied by Statistics Canada

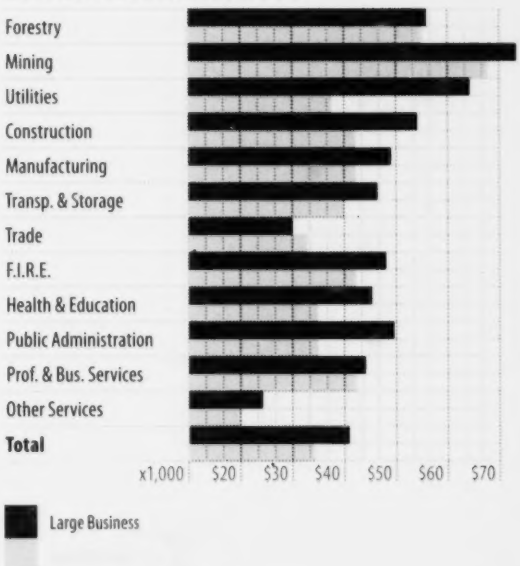
The province's increase in wages among small businesses is likely partly to do with the recent labour shortage. Wage increases are used by many small or medium-sized businesses as a partial solution to the scarcity of workers. The premise is that substantial wage hikes will likely draw more people back into the workforce. Since larger companies can often offer their employees more benefits, they may have less need for raising wages. For example, job security in a large business can be higher because there is a smaller chance of going out of business. Also, large businesses often offer higher wages to begin with, along with other employee benefits such as pension plans and extended medical coverage. For small business employers, increasing wages is perhaps the most effective method to retain existing employees as well as attract new ones. Many smaller businesses are likely raising wages in hopes of attracting employees that would normally be drawn in by big companies.

In 2006, wages in businesses with 50 or more employees were higher than those in small businesses over most major industry groupings. However, for the first time on record, employees working in trade (wholesale and retail trade) earned more on an average annual basis than did their counterparts working in large businesses. The disparity was localized in retail trade, which has been one of the sectors most impacted by labour shortages. Employers in retail businesses have consequently had to offer raises in order to maintain staffing levels needed for business operation. Aside from the trade sector, there remain some significant wage gaps among small and large business wage earners. The largest wage gap is in the utilities industry, where large businesses pay approximately $26,000 more, on average, than their counterparts in small businesses. Another industry where there has historically been significant wage disparity is construction and this was again the case in 2006, as employees working for small businesses earned nearly $10,000 less per annum than those working for large construction companies. At just over $2,300 the smallest gap between small and large businesses (other than trade) is in forestry, logging and support. For businesses of any size, employees in the accommodation and food sector (included in "other services" in Figure 3.3) earned the lowest wages, on average. The highest wage earners were in mining, oil and gas extraction.[3]

In 2006, small business accounted for 34 per cent of wages paid to workers in British Columbia, by far the highest in Canada and well above the national average (28 per cent). Second-ranked Prince Edward Island was more than three percentage points lower than British Columbia, with approximately 31 per cent of its provincial payroll comprised of wages paid to small business employees. Each at 25 per cent, Manitoba and Nova Scotia were the provinces with the smallest percentage of payroll derived from small business last year. The large role that small business plays in the British Columbia's economy plays a significant role in the portion of payroll generated by small business in the province. Wages in some industries that are less prevalent in British Columbia, such as agriculture, also tend to be lower and this can have an effect on provinces that rely more heavily on these industries.

[3] Note that the wage data are from Statistics Canada's *Survey of Employment, Payrolls and Hours*, which does not include data for the agriculture and fisheries industries. Data for the accommodation and food sector does not include gratuities.

Figure 3.3

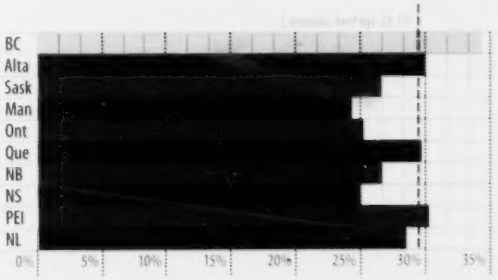


Note: "F.I.R.E." = Finance, Insurance & Real Estate
Source: BC STATS using data supplied by Statistics Canada

Did You Know?

For the first time on record in British Columbia, small business employees in retail trade earned more annually, on average, than their counterparts in large businesses.

Figure 3.4



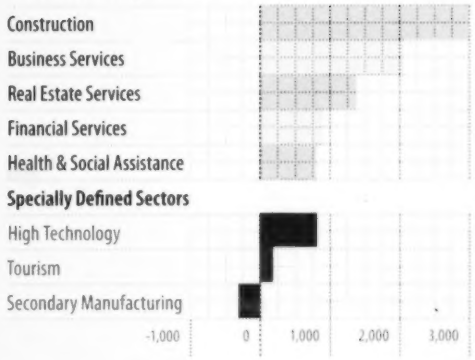
Source: BC Stats using data supplied by Statistics Canada

Did You Know?

British Columbia's small businesses lead the nation in contributions to provincial payrolls.

Figure 4.1

Number of new small businesses – fastest growing sectors in British Columbia, 2001-2006



Note: Excludes self-employed without paid help.
Source: BC STATS using data supplied by Statistics Canada

North American Industry Classification System (NAICS)

North American Industry Classification System (NAICS) is an industry classification system used in Canada, the United States and Mexico and is designed to provide common definitions of the industrial structure of the three countries. NAICS is Statistics Canada's comprehensive system encompassing all economic activities. It has a hierarchical structure. At the highest level, it divides the economy into 20 sectors. At lower levels, it further distinguishes the different economic activities in which businesses are engaged.

4. Growth Industries and Specially Defined Sectors

Historically, British Columbia's industries were developed around its resources and resource extraction-based industries, such as forestry and mining, still play a prominent role in the province's economy. However, sectors such as tourism, high technology and secondary manufacturing have emerged to become significant industries as well and are often thought to be the most likely sources of growth for the future economy of the province. Since they are less reliant on capital-intensive resource extraction, they are a good fit for development by small business.

For example, in the high technology sector, 95 per cent of employers are small businesses.[4] Innovation is the basis for growth in this sector and these services can often be performed efficiently from homes, small offices or small plants by a small number of employees.

Number of Small Businesses

Which industries show the greatest increase in the number of small businesses?

In British Columbia, the construction sector is by far the leader in small business growth. Between 2001 and 2006, there was a net addition of just over 3,000 small business establishments in the construction industry, an average of 603 per year. A driving factor in small business growth in construction includes the recent boom in residential housing construction. Business services, where an average of almost 420 businesses were added per annum, ranked second in small business growth with a net gain of about 2,100 establishments in the five-year period.

Specially Defined Sectors

This section contains information on industries that are not defined under the North American Industry Classification System (NAICS) used by Statistics Canada. The tourism, high technology and secondary manufacturing sectors are called "specially defined sectors" in this section and are in fact composites of smaller parts of traditionally defined industries under NAICS. Tourism, for example, includes data from parts of the transportation industry, accommodation and food services, and information, culture and recreation services, among others. High technology includes both manufacturing and services components.

[4] Note that reliable data on self-employment by industry is not available; therefore, the figures provided in this chapter are for paid employees only and may differ from other parts of this report.

Only two of these three specially defined sectors have experienced an increase in the number of small businesses over the last five years. High technology led the way with a net addition of over 800 new businesses between 2001 and 2006. Over that period, the gains were all in the service sector as the number of high technology manufacturing establishments decreased. However, this pattern was not consistent throughout the period, as in 2006, businesses were added in both the services and manufacturing sectors of high technology.

The number of tourism businesses also increased with a net addition of 175 new establishments between 2001 and 2006. On the other side of the scale, the secondary manufacturing sector saw a net decline of almost 300 businesses over this five-year period. This decrease is likely due to a combination of factors including increased global competition and the appreciation of the Canadian dollar.

Which industries show the fastest rates of growth in new businesses?

At an impressive 45.6 per cent, utilities[5] experienced the most rapid annual average growth in the number of new small businesses of any of the standard sectors. Education services also saw strong growth in net new small businesses (+27.3 per cent), possibly due to an increase in drivers' education resulting from the implementation of British Columbia's Graduated Licensing Program, as well as a growth in demand for instruction in English as a second language (ESL) and a rise in other private sector educational services.

In the specially defined sectors, high technology continued to lead the pack with a 10.4 per cent rise in the number of establishments, while the number of tourism firms increased at a slower rate (1.1 per cent). Secondary manufacturing experienced a significant 4.3 per cent loss in the number of firms in that sector.

Special Sector Definitions

Tourism includes industries such as transportation, accommodation, food services, and other tourism-related activities. [Further information on the tourism sector is available at: www.bcstats.gov.bc.ca/data/bus_stat/busind/tourism.asp]

High technology industries may employ a high proportion of scientists and researchers or invest a high proportion of revenues in research and development. Other industries that produce high technology products are also included. [Further information on the high technology sector is available at: www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp]

Secondary manufacturing industries are those that produce goods from the products of other manufacturers. For example, a sawmill is a manufacturing operation, but not a secondary manufacturer, because its logs do not come from another manufacturer. A factory producing wooden doors with lumber obtained from sawmills, on the other hand, is a secondary manufacturer.

Small Business Employment

Which industries are experiencing the most job growth?

Between 2001 and 2006, the construction industry was the largest provider of new small business jobs in British Columbia. Employment in this industry surged 49.1 per cent as the recent construction surge in the province created approximately 25,500 new jobs over the five year period. The retail trade sector also added a substantial number of new jobs, increasing its employment by 12.1 per cent and creating nearly 10,000 new jobs. In terms of growth rates, the educational services sector recorded the second most significant increase in employment (after the construction industry) over this period with a 28.3 per cent spike in employment (an addition of about 2,700 jobs).

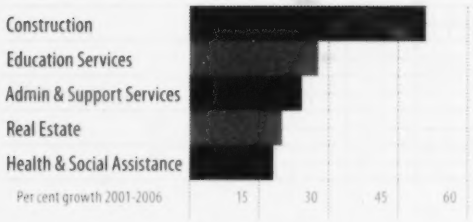
Figure 4.2

Sector growth rates for number of small businesses, 2001-2006

Note: Excludes self-employed without paid help.
Source: BC STATS using data supplied by Statistics Canada

[5] The utilities sector comprises of establishments primarily engaged in operating electric, gas and water utilities.

Figure 4.3



Source: BC STATS using data supplied by Statistics Canada

Figure 4.4

	Employee Size				
	1–4	5–9	10–19	20–29	30–49
High Technology	712	124	-19	17	-11
Tourism	358	-65	-58	71	-131
Secondary Manufacturing	-215	-25	-32	-49	32

Source: BC STATS using data supplied by Statistics Canada

Data on employment by size of business are not readily available for the specially defined sectors; however, Statistics Canada's *Business Register* does have industry detail by employee-size class. Based on this data, it appears that between 2001 and 2006, employment levels may have fallen for tourism and secondary manufacturing.

There was a decrease in the number of establishments in every employee size category in the secondary manufacturing sector between 2001 and 2006, except among those with 30 to 49 employees. This likely resulted in a drop in overall employment for that sector.[6] The rising Canadian dollar and increased global competition could continue to create challenges for this sector.

In the high technology sector, employment growth was concentrated in businesses that employ fewer than five employees (over 700 net new businesses). However, the number of small business establishments in the 5-9 (+124 businesses) and 20-29 (+17 businesses) employee-size categories also increased. Given the limitations of the data, it is not possible to determine whether or not employment in high technology rose or fell between 2001 and 2006, though it appears likely that it in fact increased.

The tourism sector also saw growth in the number of businesses employing fewer five employees (an addition of over 350 establishments), but there was a substantial drop in the number of businesses with between 30-49 employees, and as well as among those with 5 to 9 and 10 to 19 employees indicating that employment in tourism has likely declined in the last five years. The appreciation of the Canadian dollar and events such as 9/11 and the SARS epidemic have had a detrimental effect on the tourism sector, which in turn has affected employment.

[6] It is possible that there was some shifting within the size ranges such that the average size within each range increased over the period; therefore, it is impossible to say with any certainty whether or not there was indeed a drop in employment based on this data, but it seems likely that this is the case.

5. Regional Focus

Which regions have the greatest number of small businesses?

Not surprisingly, the regional distribution of small businesses in British Columbia is closely related to the distribution of population. The Mainland/Southwest region, which includes Greater Vancouver, was home to approximately 58 per cent of the province's small businesses in 2006. This is marginally less than its 59 per cent share of total provincial population. Vancouver Island/Coast was home to about 18 per cent of British Columbia's population and about the same proportion of small businesses was located in the region. Third-ranked Thompson-Okanagan region had a 13 per cent share of small businesses slightly higher than their 12 per cent share of population, while the remaining regions together accounted for around 11 per cent of both small business and population.

In which regions are the greatest numbers of small businesses forming?

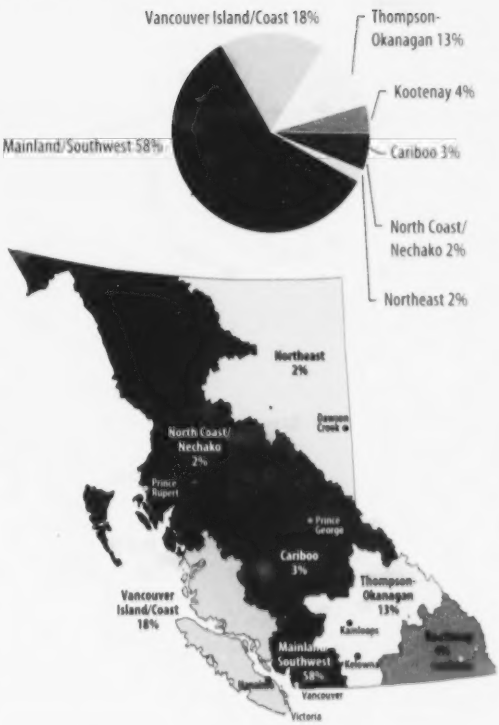
Over the last five years, six of British Columbia's seven regions recorded growth in the number of small businesses. As a result of activity in the oil & gas sector, along with growing new industries, the Northeast region of British Columbia has been booming in recent years. This economic growth is reflected in rising numbers of small businesses in the area. Between 2001 and 2006, this region led the province in growth in the number of small businesses with an average annual growth rate of 6.3 per cent. This translates to an average increase of 400 businesses per year. The Kootenay region (+3.7 per cent) was second in terms of average annual growth, adding an average of 400 net new small businesses per year, followed by North Coast & Nechako (+ 3.1 per cent), which added an average of 200 small businesses annually. In terms of actual numbers, Mainland/Southwest (+1.9 per cent or 3,700 establishments) and Vancouver Island/Coast (+2.8 per cent or 1,600 establishments) added the most new businesses to the province. Only one region showed a decline in the number of small businesses: the Cariboo region (-1.0 per cent), which declined by an annual average of about 100 businesses.

In what regions is self-employment growing the fastest?

The Northeast was also the region with the strongest growth in the number of self-employed between 2001 and 2006. The 47.5 per cent surge in self-employment in that region was slightly ahead of the 42.4 per cent rise recorded in the Kootenay region. Four other regions saw positive growth in entrepreneurs: Mainland/Southwest (+12.7 per cent), Vancouver Island/Coast (+19.9 per cent), North Coast and Nechako (+20.9 per cent), and Thompson-Okanagan (+25.4 per cent). The only region to record a decline was Cariboo, with 3.4 per cent fewer self-employed over the five year period.

Figure 5.1

Mainland/Southwest accounted for over half of all small businesses in British Columbia, 2006



Source: BC Stats using data supplied by Statistics Canada

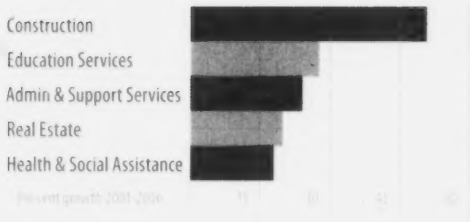
Figure 5.2

Net change in number of small businesses by region, 2001-2006

	Average annual growth (#)	Average annual growth rate
Vancouver Island/Coast	1,600	2.8%
Mainland/Southwest	3,700	1.9%
Thompson-Okanagan	700	1.6%
Kootenay	400	3.7%
Cariboo	-100	-1.0%
North Coast/Nechako	200	3.1%
Northeast	400	6.3%
Provincial Total †	7,000	2.1%

† Figures do not add due to rounding.

Source: BC STATS using data supplied by Statistics Canada



Data on employment by size of business are not readily available for the specially defined sectors; however, Statistics Canada's *Business Register* does have industry detail by employee-size class. Based on this data, it appears that between 2001 and 2006, employment levels may have fallen for tourism and secondary manufacturing.

There was a decrease in the number of establishments in every employee size category in the secondary manufacturing sector between 2001 and 2006, except among those with 30 to 49 employees. This likely resulted in a drop in overall employment for that sector.[6] The rising Canadian dollar and increased global competition could continue to create challenges for this sector.

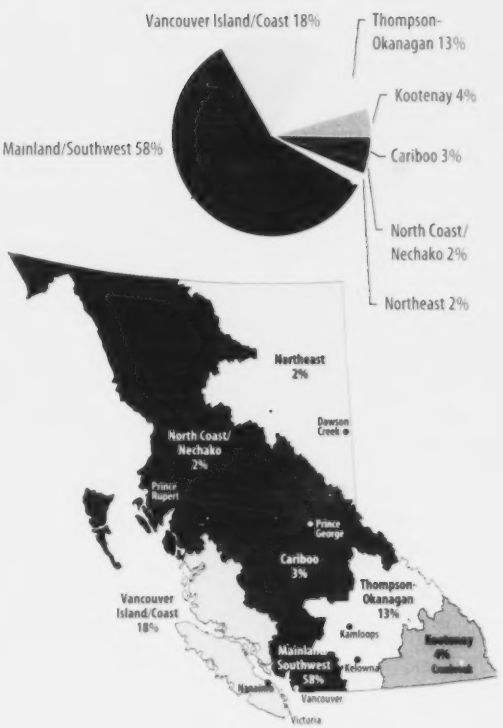
In the high technology sector, employment growth was concentrated in businesses that employ fewer than five employees (over 700 net new businesses). However, the number of small business establishments in the 5-9 (+124 businesses) and 20-29 (+17 businesses) employee-size categories also increased. Given the limitations of the data, it is not possible to determine whether or not employment in high technology rose or fell between 2001 and 2006, though it appears likely that it in fact increased.

The tourism sector also saw growth in the number of businesses employing fewer five employees (an addition of over 350 establishments), but there was a substantial drop in the number of businesses with between 30-49 employees, and as well as among those with 5 to 9 and 10 to 19 employees indicating that employment in tourism has likely declined in the last five years. The appreciation of the Canadian dollar and events such as 9/11 and the SARS epidemic have had a detrimental effect on the tourism sector, which in turn has affected employment.

Employee Size

	1–4	5–9	10–19	20–29	30–49
High Technology	712	124	-19	17	-11
Tourism	358	-65	-58	71	-131
Secondary Manufacturing	-215	-25	-32	-49	32

Not surprisingly, the regional distribution of small businesses in British Columbia is closely related to the distribution of population. The Mainland/Southwest region, which includes Greater Vancouver, was home to approximately 58 per cent of the province's small businesses in 2006. This is marginally less than its 59 per cent share of total provincial population. Vancouver Island/Coast was home to about 18 per cent of British Columbia's population and about the same proportion of small businesses was located in the region. Third-ranked Thompson-Okanagan region had a 13 per cent share of small businesses slightly higher than their 12 per cent share of population, while the remaining regions together accounted for around 11 per cent of both small business and population.



Over the last five years, six of British Columbia's seven regions recorded growth in the number of small businesses. As a result of activity in the oil & gas sector, along with growing new industries, the Northeast region of British Columbia has been booming in recent years. This economic growth is reflected in rising numbers of small businesses in the area. Between 2001 and 2006, this region led the province in growth in the number of small businesses with an average annual growth rate of 6.3 per cent. This translates to an average increase of 400 businesses per year. The Kootenay region (+3.7 per cent) was second in terms of average annual growth, adding an average of 400 net new small businesses per year, followed by North Coast & Nechako (+ 3.1 per cent), which added an average of 200 small businesses annually. In terms of actual numbers, Mainland/Southwest (+1.9 per cent or 3,700 establishments) and Vancouver Island/Coast (+2.8 per cent or 1,600 establishments) added the most new businesses to the province. Only one region showed a decline in the number of small businesses: the Cariboo region (-1.0 per cent), which declined by an annual average of about 100 businesses.

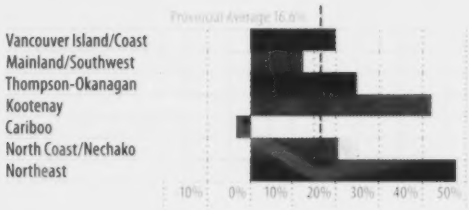
The Northeast was also the region with the strongest growth in the number of self-employed between 2001 and 2006. The 47.5 per cent surge in self-employment in that region was slightly ahead of the 42.4 per cent rise recorded in the Kootenay region. Four other regions saw positive growth in entrepreneurs: Mainland/Southwest (+12.7 per cent), Vancouver Island/Coast (+19.9 per cent), North Coast and Nechako (+20.9 per cent), and Thompson-Okanagan (+25.4 per cent). The only region to record a decline was Cariboo, with 3.4 per cent fewer self-employed over the five year period.

	Average annual growth (#)	Average annual growth rate
Vancouver Island/Coast	1,600	2.8%
Mainland/Southwest	3,700	1.9%
Thompson-Okanagan	700	1.6%
Kootenay	400	3.7%
Cariboo	-100	-1.0%
North Coast/Nechako	200	3.1%
Northeast	400	6.3%
Provincial Total [1]	**7,000**	**2.1%**

Figure 5.3

Self-employment growth rate for regions in British Columbia, 2001-2006

Growth 2001-2006



Source: Statistics Canada / Prepared by BC STATS

Figure 5.4

The specially defined sectors lost establishments in most regions of the province between 2001 and 2006

Development Region	Tourism		High Technology		Secondary Manufacturing	
	Avg. annual change (#)	Avg. annual rate of change	Avg. annual change (#)	Avg. annual rate of change	Avg. annual change (#)	Avg. annual rate of change
Vancouver Island/Coast	1	0.0%	38	3.0%	1	0.1%
Mainland/ Southwest	78	0.9%	103	1.9%	-49	-1.1%
Thompson-Okanagan	-27	-1.3%	17	2.8%	2	0.3%
Kootenay	-8	-0.9%	1	0.7%	-5	-2.4%
Cariboo	-11	-1.7%	-7	-3.4%	-1	-0.7%
North Coast/ Nechako	-0	-0.1%	-1	-0.9%	-4	-4.1%
Northeast	-3	-1.0%	10	8.0%	-2	-3.1%

Source: BC STATS using data supplied by Statistics Canada

Between 2001 and 2006, the high technology sector expanded the number of small businesses in the two regions with the highest concentration of high technology establishments. Vancouver Island/Coast recorded a 3.0 per cent jump in high tech establishments, while Mainland/Southwest posted a 1.9 per cent increase. The Northeast region also recorded a significant increase in high tech establishments (+8.0 per cent) while the count was also up in Thompson-Okanagan (+2.8 per cent) and Kootenay (+0.7 per cent). The Cariboo region suffered the largest drop, losing 3.4 per cent of its high tech small business establishments in the five-year period, but North Coast & Nechako (-0.9 per cent) also declined.

Secondary manufacturing small business establishments declined in most regions of the province between 2001 and 2006. Regions in the northern half of the province, such as North Coast & Nechako (-4.1 per cent) and Northeast (-3.1 per cent), suffered the highest rates of decline, but the southern half of the province also lost significant numbers of businesses in secondary manufacturing. Thompson-Okanagan (+0.3 per cent) and Vancouver Island/Coast (+0.1 per cent) were the only regions where establishment counts in this sector did not decline.

Over the past five reporting years, there has been marginal growth in the number of tourism-related small business establishments in the Mainland/Southwest (+0.9 per cent) part of the province, but in all other regions, growth was either flat or there was a drop in the number of small businesses in tourism. This could be related to the appreciation of the Canadian dollar, which may be impacting small tourism businesses as American tourists are fewer in number. Visitor entries to Canada from the United States via British Columbia borders were down 6.5 per cent in 2006, the sixth consecutive annual decrease since 2001.

6. Small Business Exporters

How is a small business exporter defined?

An export can consist of either a good or a service and can be shipped to either another country or to another region within a country, such as another province. Data on service exports and interprovincial trade are scarce and such data tabulated by business size are simply not available; therefore, for the purposes of this report, an exporter is defined as a business that ships merchandise to international destinations. A business with fewer than 50 employees that exports goods out of the country is defined as a small business exporter.

Note that export data for businesses by employee size are available for 2005 only and data for British Columbia on its own are not readily available. In order to meet confidentiality requirements, Statistics Canada has grouped the Territories (Yukon, Northwest Territories and Nunavut) into a region with British Columbia. As such, the data reported here include exporters in the Territories. However, based on years where data for the Territories was not suppressed, the inclusion of exporters from the Territories should not significantly influence the numbers. Most of the exports from the Territories are diamonds from the Northwest Territories and these are generally large business exports. The numbers for small businesses in British Columbia are probably inflated by less than half of one per cent. The value of exports for large businesses may be slightly more overstated due to the inclusion of diamonds shipped from the Northwest Territories, but should not exceed two to three per cent of the total.

How many small businesses in British Columbia export?

There were 6,691 businesses in British Columbia that exported goods to international destinations in 2005. Of these 80 per cent were small businesses. These 5,365 small business exporters accounted for about 1.5 per cent of all small businesses in the province. In other words, 98.5 per cent of small businesses in British Columbia are not exporters. Small business exporters employed over 63,136 people in 2005, which amounted to approximately six per cent of total small business employment.

Despite the fact that only a small fraction of small businesses are exporters, they shipped almost 40 per cent of the total value of exports from the province in 2005, or about $14.1 million worth of goods.

Some reasons why there are so few small businesses that export include the fact that there are high start-up costs associated with an exporting business and also that, in order to compete internationally, businesses need to achieve economies of scale that may not be attainable for most businesses with fewer than 50 employees.

Small Business Exporter

Small Business Exporter is a business with fewer than 50 employees that exports goods out of the country, regardless of the value of exports. Small firms can be large exporters and, conversely, some large firms are small exporters.

Figure 6.1

Number of British Columbia* exporters, employees and value of exports, 2005

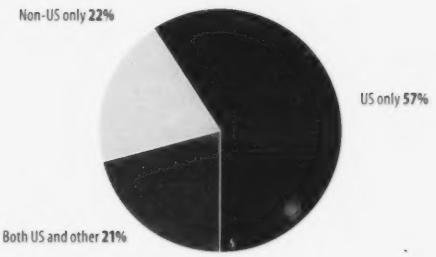
	Number of Establishments	Number of Employees	Value of Exports ($millions)
Small business exporters	5,365	63,136	$14,135.1
Large business exporters	1,326	321,749	$21,447.7
Total all exporters	**6,691**	**384,885**	**$35,582.8**

*Includes data for the Territories

Source: Statistics Canada / Prepared by BC STATS

Figure 6.2

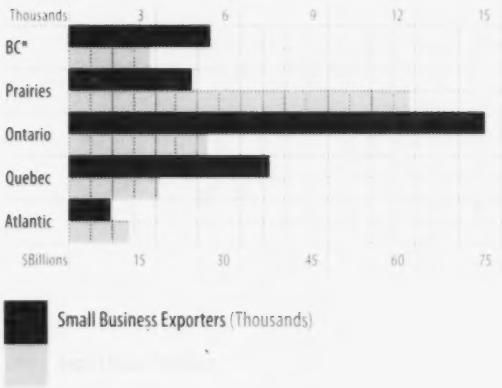
Most British Columbia* small business exporters shipped exclusively to the United States in 2005



*Includes data for the Territories
Source: Statistics Canada / Prepared by BC STATS

Figure 6.3

Export intensity for small businesses varies widely by region, 2005



*Includes data for the Territories
Source: Statistics Canada / Prepared by BC STATS

What is the destination of goods shipped by British Columbia small business exporters?

Over half (57 per cent) of British Columbia small business exporters shipped exclusively to the United States in 2005 and another 21 per cent exported to the United States and at least one other country. Only 22 per cent of small businesses that exported did not ship any goods at all to the United States. One reason for the lack of destination diversification is that small businesses are less familiar with overseas markets and prefer to deal with customers in the United States. Cost may be a factor as well. The cost of marketing in other countries, particularly where there are language differences, will be higher. Also, transportation costs will be higher to overseas destinations, which will add to the price of the product. Since small businesses have a smaller profit margin than larger enterprises, they have less ability to absorb these costs and it could price them out of the market. Those businesses that did export to other destinations tended to ship greater volumes, which probably helped defray some of these costs.

How do British Columbia small business exporters compare to those in other regions of the country?

In 2005, there were more small business exporters in British Columbia than in all the Prairie provinces combined. This is due, at least in part, to the fact that many small farms in the Prairies have their exports handled by large co-operatives such as the Canadian Wheat Board. Ontario had by far the most small business exporters in the country, double those of second-ranked Quebec.

There is significant regional variation within Canada in terms of export intensity. In some regions, small businesses export far more by value, on average, compared to other regions. Indeed, despite having more small business exporters than the Prairies, the value of shipments by British Columbia's small business exporters were less than those exported from the Prairie provinces. In fact, small businesses in the Prairies exported well over twice the value of goods than those in Ontario, which was already close to double the amount shipped by small business exporters in British Columbia. It is possible that Alberta oil and gas producers hire small firms in the finance and insurance sector to deal with exporting their product, which helps explain the relatively higher export intensity in the Prairies. Average exports by small business exporters in the Prairies were about $12.3 million per firm in 2005. This is well above the average value of exports from businesses in central Canada and British Columbia. In British Columbia, exporters averaged shipments of over $2.6 million, while Atlantic Canada's small businesses exported an average of $6.1 million per firm. Despite their high volume of small business exporters, Quebec and Ontario had the lowest average export value per firm in 2005 ($2.1 and $1.7 million, respectively). The regional differences in terms of the number of small business exporters and export intensity are likely driven by the provincial variation in industry composition.

How is technology affecting small business exporters?

Niche markets are an area where small businesses may be able to compete with larger firms on a global scale. Small businesses are often better suited to produce specialized items for these smaller markets, but the problem is getting the word out to customers around the world. The continuing development of e-commerce may be an invaluable tool for small businesses seeking to expand their market globally. Canadian businesses are increasingly making use of new information technologies. Based on data from the Canadian Federation of Independent Business (CFIB), among small businesses there has been an upward trend in Internet usage in all regions of the country. In British Columbia, the percentage of small businesses using the Internet has increased from 77.5 per cent in 2001 to 86.3 per cent in 2006.

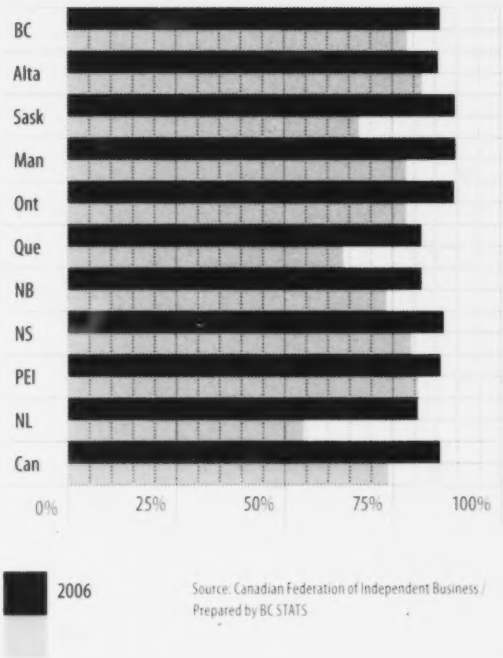
British Columbia trailed four provinces in terms of Internet use by small and medium-sized enterprises in 2006, but remained above the national average of 85.8 per cent. Manitoba (89.5 per cent) outpaced the rest of the provinces last year, while Quebec (81.6 per cent), Newfoundland and Labrador (81.8 per cent) and New Brunswick (81.9 per cent) lagged behind, in percentage of companies using the Internet.

When it comes to more intensive Internet usage by business, such as maintaining a business website and selling on-line, British Columbia is a leader. According to CFIB, in 2006, 28 per cent of British Columbia's small businesses were selling their goods or services on-line, the highest among provinces. In the same year, 44 per cent of British Columbia's small businesses reported advertising on their own website, second only to Ontario (52 per cent) and three percentage points above the Canadian average (41 per cent).

The growth in the Internet as well as other communications technologies has helped make the world a smaller place, at least in a business sense. Small businesses are getting more involved in exporting than ever before. This includes the export of services, which are expanding quickly as Canadian companies compete globally to provide services such as computer programming and call centres. The small business sector is already an important part of the British Columbia economy and new technology could help it grow and become even more vital in the future.

Figure 6.4

Internet use by small and medium-sized businesses by province, 2001-2006



Source: Canadian Federation of Independent Business / Prepared by BC STATS

Technical Notes

All statistics presented in this document are based on the best data currently available. A comprehensive listing of all businesses operating in British Columbia or elsewhere does not exist; therefore, business counts must be estimated to some extent. BC STATS has combined data from several sources to produce estimates of the total number of large and small businesses operating in British Columbia and other provinces, as well as the employment and payrolls generated by these businesses.

The results may differ from estimates produced in other studies using different data and different methodologies. Differences will potentially be more in terms of absolute numbers, rather than direction of trends or the relative standing of British Columbia compared to other provinces. This edition of the *Small Business Profile* incorporates statistical revisions, such that year-over-year comparisons should not be made using last year's edition.

Data Sources

Estimates of the number of businesses have been produced using data from Statistics Canada's *Business Register and Labour Force Survey*. Estimates of employment and payrolls have been produced using Statistics *Canada's Survey of Employment, Payrolls and Hours* and *Labour Force Survey*. All self-employment numbers have been obtained directly from the *Labour Force Survey*. Data describing small business exporters is derived from Statistics Canada's *Exporter Registry*. Data on the percentage of small businesses using, selling and advertising on the Internet is from the Canadian Federation of Independent Business' *Members' Opinions Surveys*.

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eBC eBusiness Connection
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Women's Enterprise Centre
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